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CANADA - U.S.

STEEL TRADE

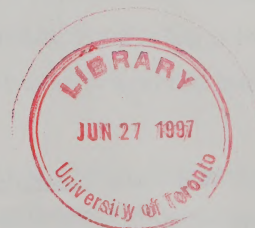




**CANADA-U.S. STEEL TRADE**

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*Revised 1 October 1996*



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Canada Communication Group -- Publishing  
Ottawa, Canada K1A 0S9

Catalogue No. YM32-1/88-2-1996-10E  
ISBN 0-660-16767-0

N.B. Any substantive changes in this publication which have been made since the preceding issue are indicated in **bold print**.

CE DOCUMENT EST AUSSI  
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## CANADA-U.S. STEEL TRADE\*

### ISSUE DEFINITION

The Canadian and United States steel industries have many of the same features. Both are facing high levels of import penetration; their costs of production (including wages) are more like each other's than those of other steel-producing nations; and both produced at levels well below full capacity during much of the 1980s. In other respects, however, the two industries are very different. The financial performance and health of the Canadian industry was better in the last decade, although that has now changed. Job losses in Canada have not been as severe over the past two decades, but jobs are being lost at a faster pace today. While Canadian capacity was more fully used in the 1980s and appeared to be more modern and competitive than that of the American integrated producers, this has now changed. Until recently, the Canadian industry had performed much better than its American counterpart. This has changed dramatically in recent years. Since 1974, Canadian employment has declined by about 39%, whereas American employment has declined by 62%. From 1988 to 1990, however, employment in the American steel industry declined by only 2.5% whereas in Canada the decline was 21%. Employment is still falling in both countries. The American steel industry made its adjustments to international competition before similar changes were undertaken in Canada.

Finally, Canada exports over 36% of total tonnage produced whereas the American industry exports less than 5% of production. The Canadian industry experienced a healthy trade balance in 1992 and 1993, but we have since become net importers of steel products. The U.S.

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\* The original version of this Current Issue Review was published in November 1988; the paper has been regularly updated since that time.

runs high and persistent deficits. Canadian exports to the U.S. exceed American exports to all countries.

The Canadian rate of capacity utilization was substantially higher than that of Japan and the EC and, like the American rate, appeared to be quite healthy until 1988. Since then, capacity utilization in Canada declined dramatically in absolute terms and relative to other countries. Capacity utilization in Canada was below the OECD average in 1990 and 1991. But this changed as of 1992 because of the very low utilization rates in Europe. Today, capacity utilization in Canada is above 90%. Differences in national definitions of capacity, however, make these statistics potentially misleading. (See "The Steel Market in 1991 and the Outlook for 1992," Organisation for Economic Co-operation and Development, Paris, 1992, for a discussion of this issue).

Prior to the Canada-U.S. free trade negotiations, steel trade between Canada and the U.S. had become a subject of dispute. Whereas those negotiations were a bilateral issue, steel trade is a multilateral issue, faced by both the United States and Canada. Canada-U.S. trade has, however, been caught in the middle and has become subject to much of the highly-charged rhetoric which accompanies any very political and emotional concern.

## BACKGROUND AND ANALYSIS

### A. The State of the Industry

The global steel industry performs procyclically, i.e., it tracks the pattern of world economic output very closely. The industry therefore faces a product cycle which follows world GNP. However, overall steel consumption is increasing at a rate less than world economic growth, since steel is being displaced by other products because of higher energy prices and other relative price changes.

World steel demand peaked in the years 1973 and 1974 after several years of very rapid growth. In 1968-69, and again in 1973-74, crude steel production was at the limits of available capacity. The industry therefore continued to increase its capacity. But world demand for



steel has followed a downward trend ever since 1974. Whereas consumption peaked in 1973-74, capacity peaked only in 1980-81. This is not at all surprising given the lead times necessary to initiate new facilities and the encouraging economic signals regarding steel demand which the world economy was sending in the late '60s and early '70s.

This pattern of consumption, production and investment is the source of the industry's problems, problems which will not go away for a long time. It is convenient to blame the industry's poor performance on the state of the world economy and it has been suggested above that the level of activity mirrors that of the total economy. And if we examine the recessions of 1974-75, 1981-82 and 1990-91, this conclusion seems to have some merit. This recent recession seems to have hit the Canadian steel industry particularly hard when compared to that of other nations. It is, however, very misleading for the long-term outlook -- most important seems to have been the relative price effect of changing energy prices which has shifted demand away from steel towards other materials. Total consumption today is only 80% of that of the 1973-74 peak, even though world real GDP is much higher.

Since the mid 1970s, the industry in most developed nations has been characterized by excess capacity. As producers sought to employ their idle capacity through greater exports, trade frictions erupted in many countries, with domestic firms complaining of the unfair trading practices of foreign competitors. In response to these domestic complaints, several nations started imposing trade barriers of one sort or another. The United States has put in place a number of such barriers since 1968 but most other industrial countries have imposed trade barriers that are significantly stricter. Indeed, the American industry often makes the point that very high barriers elsewhere have diverted foreign supplies to the American market.

Canadian production in 1994 was 3.4% lower than the year before and is expected to remain constant in 1995 owing to production problems at some plants. At present, almost all Canadian production uses continuous casting technology.

#### B. The United States Industry v. the Canadian Industry

Import penetration in both Canada and the United States is higher than in other industrial nations. As reported by the Canadian Import Tribunal in 1986, over 20% of each nation's market was captured by imports in the first half of the 1980s, in contrast with a 10%

import penetration in the EEC and 3% penetration in Japan. Tribunal reports in that year suggested that records be kept of the importation of carbon and specialty steel products.

Total import penetration has fallen somewhat in the United States since 1987. By contrast, import penetration was 24% in Canada in 1987, increasing to almost 29% in 1988. In 1988, Canadian steel consumption jumped by about 20% over the previous year. Production could not increase commensurately and so imports rose. Import penetration in Canada increased from 18% in 1989 to almost 30% in 1991. American penetration of the Canadian market more than doubled to almost 18% in 1991. In the United States, import penetration in 1989 and 1990 fell below 20%, but has now risen to over 25%.

In 1991, import penetration into the Canadian market reached 28.5% and is now about 40%. However, 38% of Canadian steel production was exported in 1995 while only 5% of American output was sold abroad. Total exports from Canada exceeded those from the United States, even though the steel industry in that country is now about seven times as large as our own.

For the most part, both countries are free of trade barriers and do not promote exports through massive government subsidies or other measures. In addition, as the North American industry is largely privately owned, it is more likely to be the object of dumping or unfair trade practices than the instigator. It should not be surprising that both Canada and the United States are characterized by high rates of import penetration. It is surprising, however, that the export behaviour of the two countries is so different.

The Canadian industry was always more export-intensive than its American counterpart, but the American industry exported more in absolute terms, because it is so much larger. After the recession of 1981, however, the American industry had virtually abandoned the export market, with Canadian exports to the United States running about two to three times as large as American exports to *all* countries. This has changed in the last two years. Canadian exports in 1991 equalled American exports. In that year, Canadian firms captured over 4% of the American market while American firms captured 16% of the Canadian market.

Canadian-American trade in steel, which through the later 1960s and early 1970s tended, on average, to be balanced, turned sharply in Canada's favour in the 1980s. Since the mid-1970s, Canada's trade balance has moved into a large surplus in high volume



products such as primary steel and pipes and tubes. Those products for which Canada is in deficit, such as hardware, wire products, and coated metal, are traded in relatively low volumes and are products of which we have traditionally exported less to the U.S. than we have imported.

The Canadian trade surplus with the United States diminished in the latter part of the 1980s and into the 1990s. For plate, sheet and strip steel, American exports to Canada more than doubled from 1986 to 1990, providing the Americans with a trade surplus in that year (see Figure 1). In 1992, however, Canada again attained a trade surplus of over \$400 million. **The surplus fell significantly in 1995. Since 1991, two-way trade has increased dramatically.** A similar pattern holds for other iron and steel products presented in Figure 2. **The surplus has been about \$700 million per year since 1993.** In 1986, it was between \$900 million and \$1,000 million. From the mid-1980s to 1990, Canadian exports fell while American exports to Canada rose. Exports have rebounded substantially in the last three years, however. **Again, two-way trade has grown rapidly since 1991.**

Figure 3 also shows strong growth in exports and imports after free trade was introduced, and a Canadian surplus overall. This figure represents total trade in iron and steel products and contains many products in addition to those shown in Figures 1 and 2.

This trend demonstrates that a large part of the American trade deficit in steel is the result of conditions in the American industry and not of trading practices elsewhere. Canada's industrial environment is much the same as that of the United States, yet import penetration is lower and export performance has improved in recent years.

Some supporting evidence can be found in the Section 201 Report to the President on steel products released in 1984 by the U.S. International Trade Commission. That report confirmed that substantial technological and market change was occurring in the American steel industry. The integrated steel producers complain about foreign trade practices and are suffering reductions in output, employment and profits. But the cause of injury is often not imports but the mini-mills, the small plants which are becoming the price leaders in the United States. While imports can undercut the integrated producers' price, they often cannot undercut that of the mini-mills.

FIGURE 1  
CANADA - U.S. STEEL TRADE  
PLATE, SHEET AND STRIP TRADE

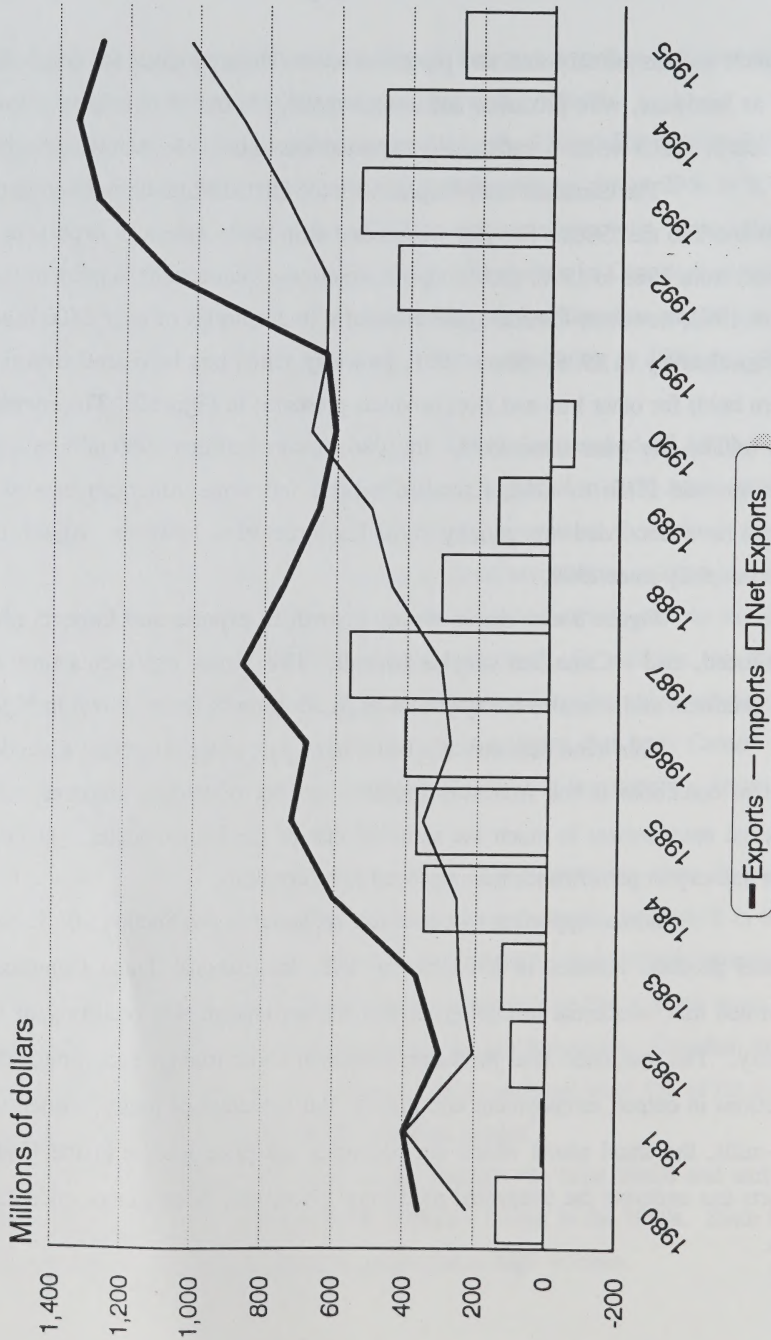
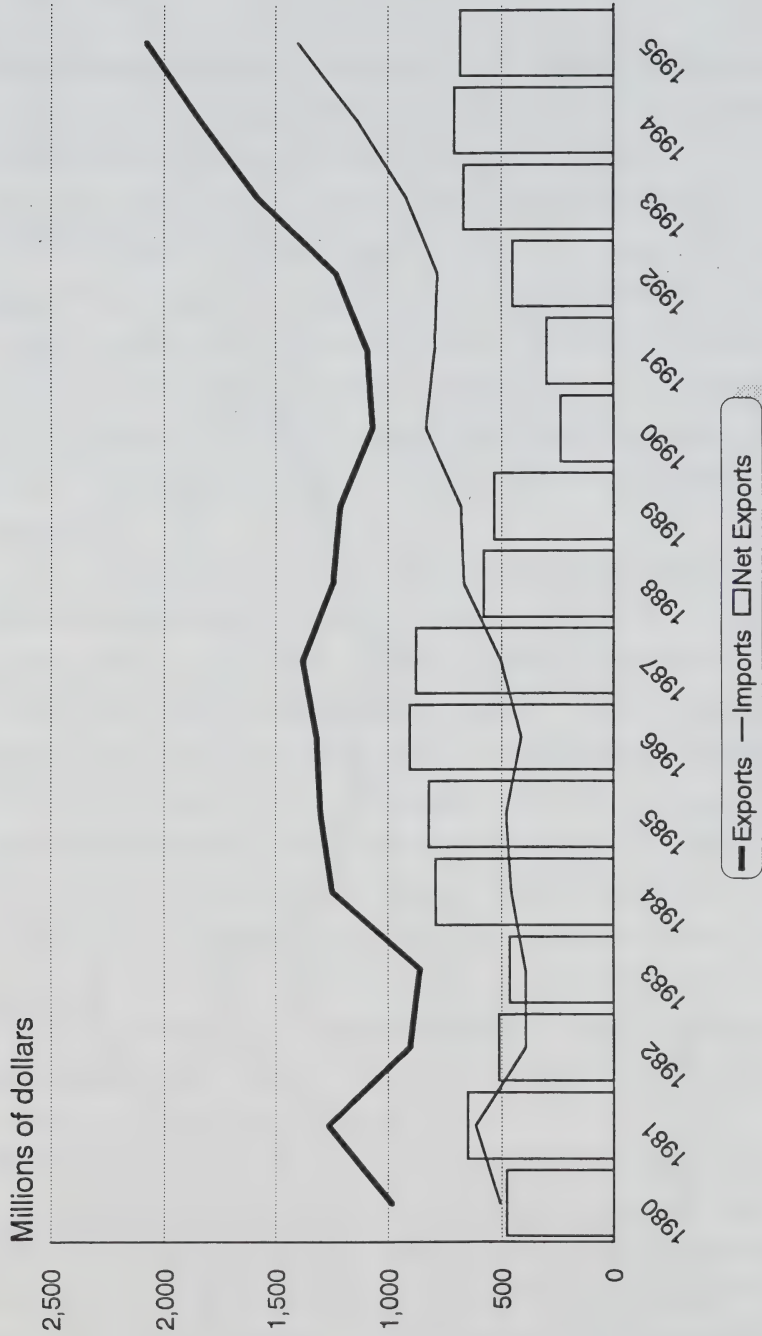


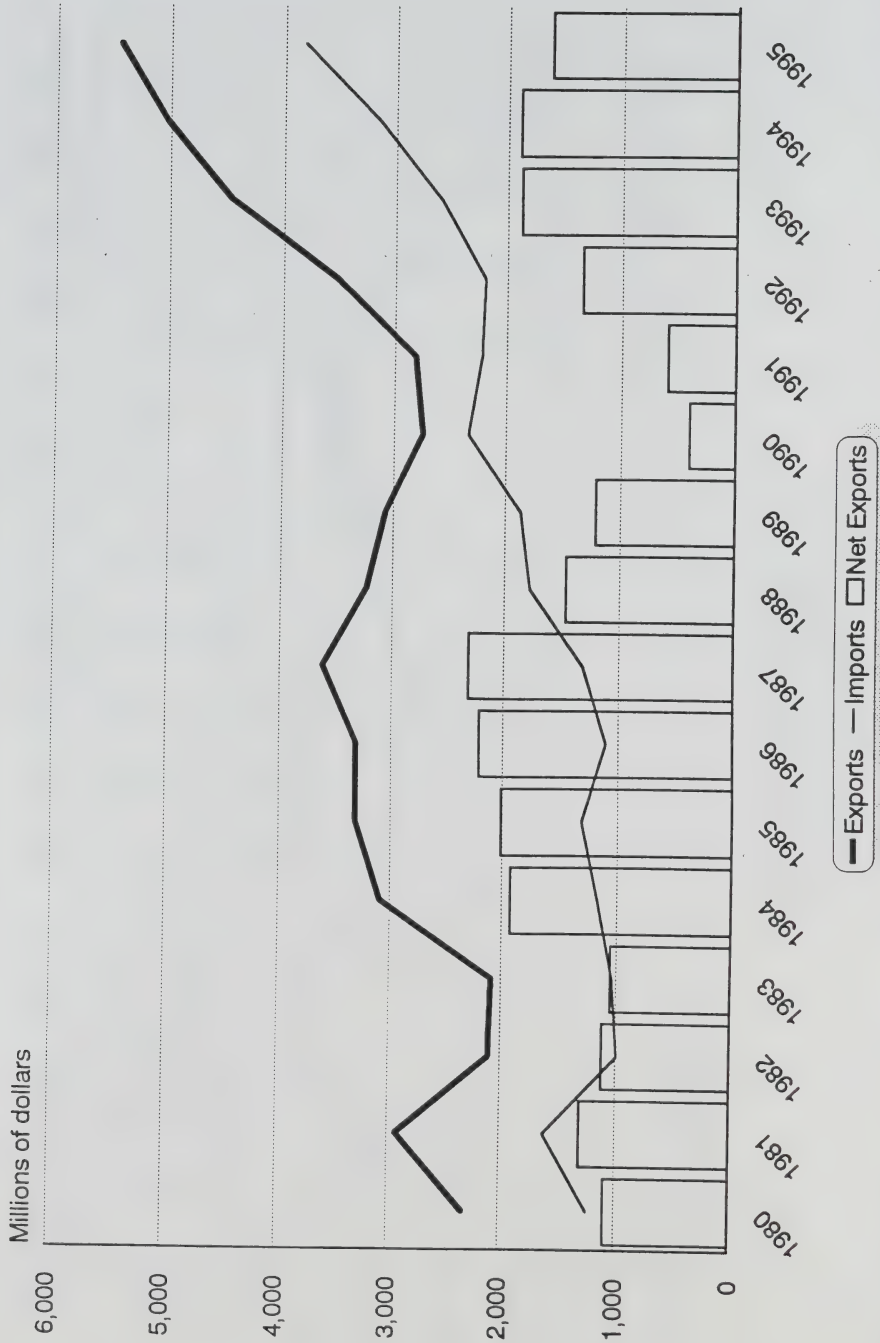


FIGURE 2  
CANADA - U.S. STEEL TRADE  
OTHER IRON AND STEEL PRODUCTS



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FIGURE 3  
CANADA - U.S. STEEL TRADE  
TOTAL IRON AND STEEL PRODUCTS





In the case of wire rods, the ITC found that the mini-mills underpriced imports for 21 of 26 quarters recorded and that this, rather than increased imports, caused the substantial injury to the integrated producers. The same was found in the case of steel bars.

Moreover, in 1970, mini-mill production was only 6% that of the integrated mills, but by 1985 it had risen to 25%. Two main factors account for this change. The minimum efficient scale of a mini-mill is approximately one-tenth of an integrated producer's, so that in a world of slack demand for steel products mini-mills are much more likely to be operating at efficient levels. Also, these small operations use mainly electric arc furnaces for producing steel, and the basic raw material is scrap steel. Since the reduction in overall steel demand has resulted in a reduction in the price of scrap steel, mini-mills have seen their cost for raw materials fall since 1970.

A very important development in the United States steel industry, then, has been the rise in importance of the mini-mill sector. These mini-mills now account for 40% of U.S. steel-making capacity and are clearly the price leaders. Unlike the integrated producers in both Canada and the United States, many of these producers are actually profitable. But the real differences in the integrated sectors of the two countries continue to account for the differences in performance.

The American integrated sector over-expanded in the 1970s, in expectation of far greater steel demand. It purchased labour peace by offering wage increases which proved to be far too generous, and paid little attention to productivity increases. As well, the industry was hurt by a strong American dollar. Over the past decade, American productivity has more than doubled, whereas Canadian productivity in primary metals and minerals, a broader industry than the steel industry, increased by just over 30%. As of the first quarter of 1991, Canadian steel producers had lost their competitive edge in the U.S. market. Canadian steel delivered to the American market costs on average \$5.00 per ton more than American steel.

The integrated sector in this country, has somewhat surprisingly, performed far better than that in the U.S. One explanation is that the Canadian industry has been better able to target its investment and thus earn a good return. Although it is common to blame the U.S. industry's poor performance on a lack of investment spending, the Canadian producers have spent in fact no more than their American counterparts. The total steel capacity of the Canadian industry

today is only slightly higher than it was a decade ago. The technological composition of that capacity has, however, changed significantly, with the major change being the continued movement away from open hearth furnaces to basic oxygen and electric furnaces.

Canadian exports of primary steel products to the United States are today 12 times as high as they were 20 years ago, whereas American shipments to Canada are less than four times as high. Bilateral trade, which was then roughly in balance, is now largely in our favour. In 1986, Canada ran a surplus of over \$1,000 million.

The same pattern can be seen for steel pipes and tubes. Whereas trade in the late 1960s and early 1970s was in balance for the most part, Canada is now clearly the surplus nation. While the size of the surplus has been extremely variable in the 1980s, ranging from a high of \$340 million in 1981, to a low of \$32 million in 1983, Canadian exports have clearly overtaken those of the United States.

### C. Canadian Share of the American Market

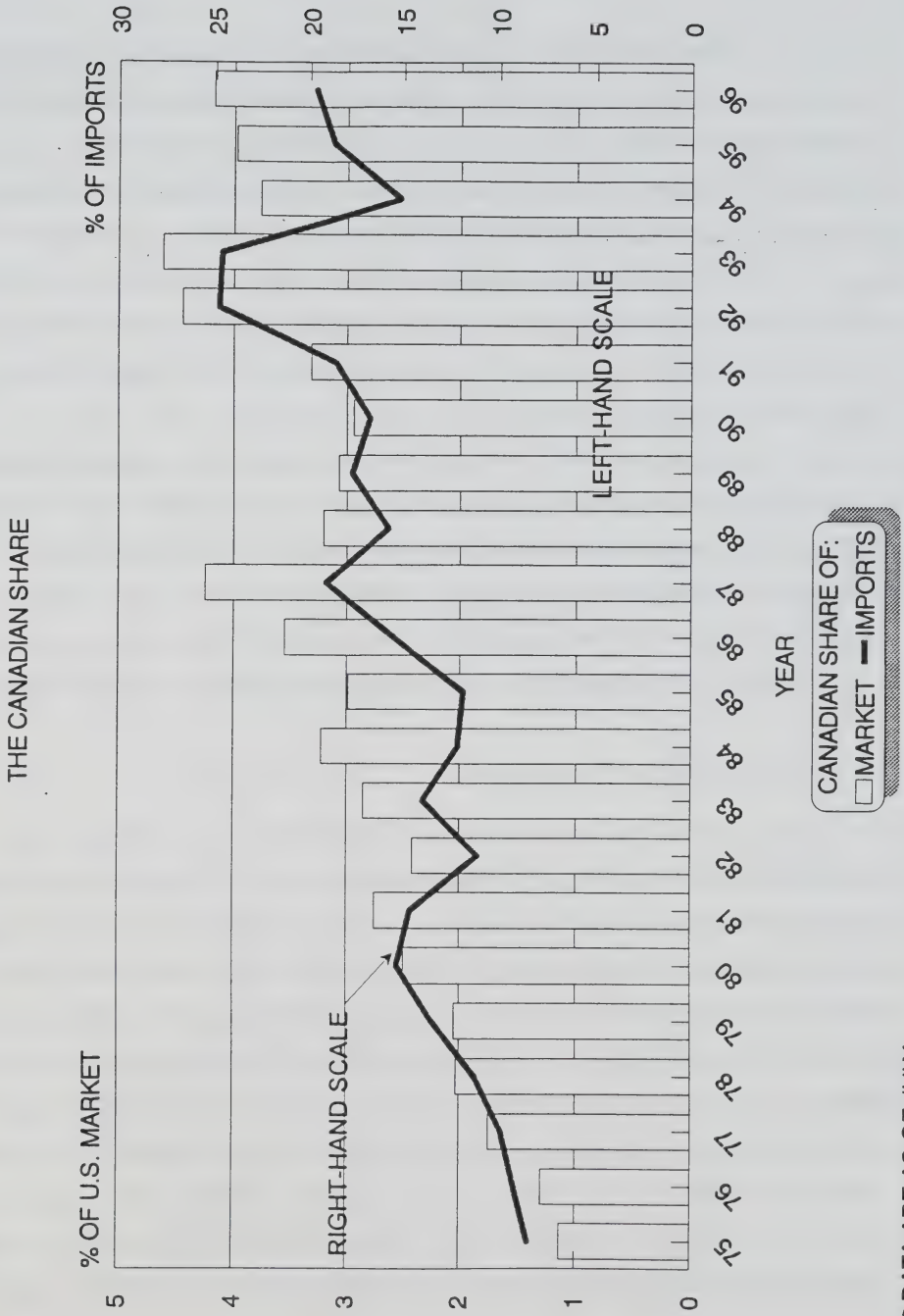
In the early 1970s, Canadian steel captured about 1% of the American domestic market and accounted for less than 10% of total steel imports into the United States. This position has now changed. By 1984, Canadian steel had tripled its market share to about 3.23% of the American market at a time when total import penetration in the U.S. had peaked at 26.6%.

Since then the situation has become even more dramatic. In January 1987, Canadian steel had captured over 6% of the American market (having increased 84% from January 1986) and accounted for 26% of all imports. **The Canadian share has declined since then, but it still amounts to about 4% of the market. Canadian imports amount to 19% to 20% of all steel imports into the U.S.** Through 1990 to 1993, Canada's share of the American market rose sharply. In 1993, the share of Canadian exports to the U.S. again increased, accounting for about 28% of total U.S. steel imports, and capturing more than 4.5% of the market. The Canadian share of total imports fell dramatically with the rapid rise of other imports to the U.S. from other nations.

These patterns are evident from examining Figure 4, which presents the Canadian share of the American market as a bar chart, measured on the left-hand scale. The line chart is measured against the right-hand scale and it shows the proportion of all steel imports originating in Canada.



FIGURE 4  
UNITED STATES STEEL IMPORTS



1996 DATA ARE AS OF JULY  
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Under President Reagan's steel program, a number of Voluntary Restraining Agreements (VRA) were signed with steel-exporting nations that were viewed, at the time, as unfairly exporting carbon steel products to the United States. The goal was to limit total steel imports to 20.5% of the American market with finished steel imports to take no more than 18.5% of it. The program had achieved its goals when it expired in 1992.

Every nation with more than 0.3% of the American market was targeted for a VRA, although Canada was exempted. (In October 1987 Canada did agree to a VRA, but on specialty steel only.) Taiwan and Sweden never signed VRAs, though they are major steel producers and exporters.

In March 1992 the existing VRAs expired. The American industry is using American trade law in order to protect itself against foreign competition. It is the position of the Canadian government that Canada-U.S. steel trade is unique. These two nations are now operating under a free trade agreement. Even prior to the signing of the FTA, the trade in steel products between the two countries had been relatively free of obstacles. Moreover, the Canadian market is one of the few in which American steel products have been able to gain a strong foothold.

#### D. Canadian-American Interdependence

Given the nature of the world-wide steel industry described above, it is not surprising that the United States is a more important customer of Canadian steel products than a supplier. The proportion of Canadian steel exports going to the United States is typically higher than the proportion of imports coming into Canada from the U.S. When this is coupled with the fact that the total volume of exported steel exceeds the total volume of imports then it is clear that Canada must run a bilateral trade surplus with the United States in this area. The Canadian Steel Monitoring Program, under which firms exporting more than \$5,000 worth of steel to the U.S. must obtain a federal permit, came into effect in June 1987. In November 1987 a Windsor firm was charged by Revenue Canada with exporting steel without obtaining such a permit.

The geographical proximity of the American industry to Canada has always meant that it must be the major foreign supplier to this country. Since 1983, however, there has been a



distinct trend towards less reliance upon American steel and the proportion of imports coming into Canada from the United States has fallen dramatically.

It is interesting to examine the reasons for this trend. In 1981, American steel exports started a significant decline, from which they have not yet recovered. Of all imports into Canada the proportion from the U.S. increased over the next two years; imports fell significantly as a result of the recession but the relative impact on American imports was not as great. Starting in 1983, overall imports again rose but American sources recovered more slowly and therefore lost market share in Canada.

Since 1981, it has become evident that American steel has lost its share of all foreign markets in which it competes. The loss in Canada has been minor compared with that in other markets, so that Canada is increasingly the most important market for the Americans. The American loss of market share in Canada is not due to declining sales, but to a lagging growth in sales. Actual sales declines are, however, being experienced in other markets (see the 1986 OECD study of the steel market). In 1984, Canada was the destination for 30% of American steel exports, while in 1985 that proportion had risen to 37%, as total American exports fell.

#### E. Canada-U.S. Free Trade Agreement

In 1988, Canada and the United States concluded a free trade arrangement (FTA) between the two countries. The Canadian steel industry had expressed its general approval of the agreement, while the Canadian Steel Producers Association (CSPA) viewed it as a means by which access to fairly-gained markets could be maintained. Country-of-origin rules prevented the use of Canada as a conduit through which third-party steel could be shipped to the United States in contravention of existing VRAs. The Association also felt that the FTA would prevent Canada from being included in trade restrictions aimed at other countries, such as the American imposition of global quotas on specialty steels. The CSPA also believed that the economies of both nations would expand as a result of the agreement, a prospect which could only favour the steel industry.

This optimistic view of the agreement was not entirely shared by the president of Ipsco Inc., a manufacturer of steel pipe and tube in Saskatchewan. He argued that the retention of

anti-dumping provisions in a free trade agreement constituted an unfair restraint on foreign producers of products with large transportation costs. Such exporters to the United States are not allowed to bear some of the transportation costs, even though such a practice is common when sales take place entirely within the domestic market and is usually consistent with other policies relating to competitive practices. This manufacturer recommended that competition policy which affords national treatment to all should regulate undesirable practices and that, once the FTA was fully in force, anti-dumping provisions should not apply to Canada-U.S. trade.

In 1992, Canada, the U.S. and Mexico signed a North American Free Trade Agreement in principle.

#### F. North American Free Trade Agreement (NAFTA)

The NAFTA is now set to come into force on 1 January 1994, as all three governments have ratified the treaty.

The NAFTA provisions are very similar to those of the FTA, with one important difference. Under the FTA, Canada and the United States were to establish a working group to settle rules concerning anti-dumping and subsidy definitions. This proposal has now been dropped. It is these areas, not tariffs, which have been the cause of concern for the Canadian steel industry.

Prime Minister Chrétien has received assurances from the United States and Mexico that negotiations will be undertaken to resolve these long-standing issues.

#### G. Section 201 Actions

Under section 201 of the U.S. Trade Act, the American President has the power to provide relief to any industry judged to be hurt by imports; these safeguard actions are consistent with the provisions of the GATT. Since they provide relief to domestic producers in the case of "fair trade" practices, however, they would clearly be against the spirit of true free trade.

The Canada-U.S. FTA addresses this matter. During the transition period, the United States could increase the duty on steel products to pre-FTA levels for as much as three years



if Canadian steel was the source of substantial injury to the U.S. industry. Such action could be used only once for any product.

Canada could still be caught up in American safeguard actions if Canadian products accounted for more than 10%-15% of total imports or if there was a surge in Canadian imports whenever safeguard action was taken against other countries. Notification and consultation would have to take place before any U.S. action in either case.

Such a change would be of particular benefit to the Canadian steel industry, which has long maintained that its trading practices are fair and that the woes of American producers are caused by nations other than Canada.

#### H. Recent Developments

With the demise of the VRAs in the United States, the long anticipated steel trade row has erupted. Twelve American steel producers have petitioned the U.S. International Trade Commission (ITC) to intervene against steel imports from 21 countries, including Canada, on the grounds that steel products are being dumped on the American market. The ITC decided that there was some merit in the complaint and it is now up to the U.S. Commerce Department to conduct an investigation.

In retaliation, Canadian producers have lodged complaints with the federal government against American imports of steel. Revenue Canada ruled on these complaints on 29 January 1993. It imposed duties as high as 125%. The average duty imposed on hot-rolled steel was about 12%, affecting \$90 million worth of imports. On 31 March 1993, Revenue Canada imposed further dumping duties on cold-rolled steel coming from European producers and small American firms. Canadian producers are also calling upon the two governments to negotiate a bilateral accord that would resolve this dispute once and for all. The Deputy Prime Minister, the Hon. Sheila Copps, has recently announced the federal government's intention to negotiate such a bilateral accord.

This trade dispute comes at a time when the Canadian industry is suffering severe financial difficulties. As a result of the recession, steel consumption in Canada is 30% below 1988

levels. Stelco has posted eight straight quarters of losses and the picture for Dofasco is equally bleak. That company is still recovering from its disastrous purchase and write-off of Algoma Steel.

Just as important, though, is the competition these integrated producers face from the mini-mills and the new technology of continuous casting. Thirty-five per cent of Dofasco's capacity is still made up of ingot production, a percentage higher than for the other integrated producers. It is this new technological challenge which will likely have the greatest effect on the health of the Canadian industry.

The American Commerce Department ruled on 27 January 1993 that companies from 19 countries, including Canada, were dumping steel on the American market. It set preliminary duties of up to 69% on Canadian products, although products from Dofasco and Ipsco were assessed only negligible duties. The largest duties were applied against Stelco (69%) and Algoma (62%) plate steel. The duties affect about 14% of Canadian steel exports to the United States. The average duty imposed on affected products is not known, although it is generally believed to be quite low.

These are preliminary duties. The Commerce Department is expected to make a final ruling in April, after which the American International Trade Commission must determine if there has been injury to American producers. The Canada-United States Free Trade Agreement grants the affected Canadian companies an appeal to a binational panel. None of the other countries involved has access to such an appeal mechanism.

Canadian steel producers had feared such a ruling for some time, and have countered with the argument that the North American steel market is integrated and should be treated by authorities as a single market. Although the Canada-United States Free Trade Agreement does offer some added safeguards for Canadian firms, the markets are not treated as one; Canadian and American firms are treated differently in each other's markets.

In a recession, such as the one the steel industry faces, it is not unusual for market prices to fall below the total cost of production for a short period of time; firms have to sell at a loss in such cases. For domestic firms, this behaviour is not against the law; however, an importing firm selling at a loss can be charged with dumping. This is the essence of the Canadian



complaint. Canadian producers claim that they are responding to market prices in the U.S. and therefore, like American producers, they must sometimes sell at a price that represents an accounting loss. But, while American producers are free to respond to such market conditions, Canadian producers are subject to penalties. For this reason, Canadian firms have expressed a desire to negotiate a bi-lateral trade deal for steel, much like the Canada-United States Auto Pact. The American authorities have so far expressed little interest in such a deal.

The former United States Under Secretary of State, Mr. Robert Pines, has recently expressed support for the Canadian position. In an interview, he agreed that Canadian firms face very much the same cost conditions as their American competitors - it is the Europeans who are not competitive in the American market.

#### PARLIAMENTARY ACTION

There has been very little in the way of parliamentary action on this issue.

#### CHRONOLOGY

- July 1986 - The Canadian Import Tribunal issued its report on carbon steel and determined that it was advisable to collect information on the importation of such products.
- September 1986 - The Canadian Import Tribunal issued its report on specialty steel and determined that it was advisable to collect information on the importation of such products.
- January 1987 - Canadian steel shipments to the United States had increased 84% from January 1986 and had captured almost 6% of the American market. (Part of the reason may have been the continuing strike at USX Steel in the United States.)
- June 1987 - The Canadian Steel Monitoring Program came into effect. Any firm exporting more than \$5,000 of steel to the United States must obtain a permit from the federal government and clearly state the origin of the steel. There are no restrictions on the

granting of permits since Canada has not agreed to limit shipments to the U.S.

- August 1987 - Canadian steel exports to the U.S. were capturing a declining share of the American market. For August, the Canadian share was 3.3% of apparent U.S. supply, the lowest figure for the year. The cumulative Canadian share for the year overall was, however, still about 4%.
- October 1987 - Canada agreed to a VRA on specialty steel which limited Canadian exports to the United States to a growth of 3% per year until September 1989. (This VRA applied to specialty steel only.)
- October 1987 - Canada and the United States concluded an agreement in principle on a free trade agreement between the two countries. The House of Commons Standing Committee on External Affairs and International Trade began an examination of the FTA.
- November 1987 - Revenue Canada charged a Windsor firm with 34 violations of exporting steel to the United States without a permit. The illegal exports involved about 1,000 tons of steel.
- February 1988 - The U.S. International Trade Commission dismissed a dumping charge against Canadian exporters of structural steel on the grounds that injury to American producers could not be proven.
- November 1988 - The U.S. International Trade Commission ruled, on the basis of preliminary evidence, that Canadian steel rails were hurting the American industry, as claimed by Bethlehem Steel Corporation. A final decision on this case was not expected until the spring of 1989. The targets of this complaint were Algoma Steel of Sault Ste. Marie and Sydney Steel Corp. of Cape Breton (Sysco).
- January 1989 - The FTA came into effect.
- July 1989 - American quotas on steel imports were extended by two and a half years, rather than the five years demanded by the industry. The limit on imports, now set at 18.4% of the American market would rise by one percentage point per year until March 1992, when the quotas were to expire. Canada was again exempted from this program.



- August 1989 - The U.S. International Trade Commission ruled that Algoma Steel and Sysco dumped new steel rails on the American market. In both cases the dumping penalty was set at 38.8% of the selling price. Additionally a 114% countervailing duty was imposed on Sysco to counter the substantial federal and provincial grants it had received.
- December 1989 - President Bush announced the end of the American system of steel import quotas, to be effective March 1992. In the interim, he raised the limits by about 10% and realigned them in such a way as to favour third world producers. Canada continues to be exempt from this program.
- August 1990 - A strike hit Canada's major unionized steel firms. Imports of American steel increased to 11% of the Canadian market.
- A binational panel upheld the 94% countervail duty imposed earlier on Sydney Steel Corp. exports of steel rails to the United States.
- January 1991 - Dofasco Inc., which with its purchase of Algoma Steel Corp. Inc. had become the largest Canadian steel producer, announced that it was writing down its investment in Algoma and would take that subsidiary off its books. Some steel industry analysts feared that a bailout of Algoma might be construed as a subsidy and would thus adversely affect access to the American market for other Canadian steel producers.
- March 1992 - Voluntary Restraining Agreements expired.
- January 1993 - The U.S. Commerce Department handed down a preliminary finding that steel companies from 19 countries, including Canada, dumped steel in the United States. Fourteen percent of Canadian exports to the United States face duties.
- October 1993 - The Canadian steel industry filed a complaint with Revenue Canada concerning alleged dumping of galvanized steel by 10 countries, including the United States.
- Revenue Canada has also decided to examine the circumstances surrounding the importation of steel plate from Spain, Italy, Korea and Ukraine.

December 1993 - The Deputy Prime Minister announced the government's intention to seek a bilateral trade accord with the United States with respect to steel products. Canadian officials are examining Canadian and American trade laws with a view to reaching an understanding on countervail and dumping measures.

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